

THIRD AMENDMENT TO LEASE

THIS **THIRD AMENDMENT TO LEASE** (this “**Amendment**”) is made as of January 30, 2024 (the “**Amendment Effective Date**”), by and between **160 NORTH PATTERSON AVENUE, LLC**, a California limited liability company (“**Landlord**”), and **COVENANT CARE CALIFORNIA, LLC**, a California limited liability company, f/k/a as Covenant Care California, Inc., a California corporation (“**Tenant**”).

RECITALS

A. Landlord, as successor-in-interest to Western Convalescent Hospitals – Santa Barbara, LLC, successor-by-conversion from Western Convalescent Hospitals, Ltd., Santa Barbara, and Tenant, as successor-in-interest to Pleasant Care Corporation, are parties to that certain Lease and Sublease dated January 29, 1991 (as previously amended, the “**Original Lease**”), as amended by that certain Assignment, Amendment to Lease, and Agreement dated January 10, 2003 (the “**First Amendment**”), and that certain Second Amendment to Lease dated March 31, 2017 (the “**Second Amendment**”), as assigned by that certain Assignment and Assumption of Lease dated March 8, 2021 (“**Assignment**”, together with the Original Lease, First Amendment and Second Amendment, collectively the “**Lease**”) with respect to that certain skilled nursing facility located 160 S. Patterson Avenue, Goleta, California (as more particularly described in the Lease, the “**Premises**”). All initially capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Lease.

B. Landlord and Tenant have agreed to amend the Lease as more particularly set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the recitals set forth above (which by this reference are incorporated herein) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Term.** The Term, as provided for in Section 3.1 of the Lease (as amended by Section 4 of the First Amendment and Section 3 of the Second Amendment), is hereby extended for a period of five (5) years, from February 1, 2024, through and including January 31, 2029 (the “**Second Extended Term**”). All of the terms, covenants and conditions of the Lease, and all rights of Tenant thereunder, are hereby reaffirmed and shall remain unchanged during the Second Extended Term except as otherwise amended hereby. The parties acknowledge that this Amendment memorializes Tenant’s election to exercise the “First Option” under Section 5 the Second Amendment, and Tenant shall have no further right to extend the term of the Lease. In the event of any conflict between this Amendment and Section 5 the Second Amendment, this Amendment shall govern and control in every respect.

2. **Monthly Rent.** During the period from February 1, 2024, through and including January 31, 2025, Monthly Rent shall equal [REDACTED], and shall otherwise remain payable as provided for in the Lease. On February 1, 2025, and on each February 1st thereafter during the Second Extended Term, Monthly Rent shall increase to [REDACTED] of the Monthly Rent payable for the immediately preceding twelve (12) month period.

3. **Improvement Funds.** Subject to the terms and conditions of this Section 3, Landlord shall disburse to Tenant up to [REDACTED], in the aggregate (the “**Improvement Funds**”), in connection with certain Alterations proposed by Tenant and reasonably and preliminarily approved by Landlord (each, a “**Proposed Capital Improvement Project**”). For the avoidance of doubt, Tenant hereby acknowledges and agrees that Landlord shall have no obligation to disburse any Improvement Funds for any Proposed Capital Improvement Project until Landlord has approved in writing the Project Information with respect to such Proposed Capital Improvement Project, which approval shall not be unreasonably withheld, condition or delayed. Tenant shall be required to comply with this Section 3 in connection with any Proposed Capital Improvement Project.

(a) Before commencing work on any Proposed Capital Improvement Project that Tenant desires to pursue using Improvement Funds, Tenant must submit to Landlord the following in connection with each such Proposed Capital Improvement Project (collectively, the “**Project Information**”):

(i) A written, narrative description of the applicable Proposed Capital Improvement Project, including a detailed summary of project details, the scope of work, a description of the potential impact on and/or interruption to operations, and a summary of the business rationale for proposing the applicable Proposed Capital Improvement Project. The narrative description shall also summarize Tenant's plans in connection with contracting with any contractors, subcontractors, or vendors for the completion of the Proposed Capital Improvement Project;

(ii) To the extent applicable based on the nature of the applicable Proposed Capital Improvement Project, copies of any plans, specifications, schematics and drawings;

(iii) A written description of required permitting and approvals, the application process, and timing, for any applicable jurisdictions. The description of required permitting and approvals shall include, without limitation, a description of any authorizations, permits or licenses required from: (a) any state or local regulatory agency or department, and (b) the local building department or authority;

(iv) A project budget for the pursuit, construction and completion of the Proposed Capital Improvement Project. Said project budget shall include, without limitation, capitalized costs of Landlord. Any fees or other payments to be paid to an affiliate of any Tenant in connection with such Proposed Capital Improvement Project shall be identified as such in the proposed budget. Unless otherwise expressly agreed to in writing by Landlord, in no event shall Landlord have any obligation to fund any Improvement Funds in connection with: (i) any work performed by an employee of Tenant (or its affiliate) or by an affiliate of Tenant or (ii) in connection with Tenant's (or its affiliate's) general corporate overhead or corporate expenses;

(v) A project schedule for the commencement and completion of the applicable Proposed Capital Improvement Project, which project schedule should include, without limitation: (i) anticipated time required to complete the Proposed Capital Improvement Project, (ii) estimated start and end dates, and (iii) estimated timing for completion of any significant development or construction milestones (i.e. licensing/permit approval etc.);

(vi) Proforma operating financials for the Premises following completion of the applicable Proposed Capital Improvement Project; and

(vii) Such other information concerning the Proposed Capital Improvement Project as Landlord may reasonably request.

(b) Landlord shall respond to such Project Information with either Landlord's approval or reasonable rejection (which shall include the reasons for such rejection) within thirty (30) days following Landlord's receipt thereof.. If Landlord approves such Project Information, it shall notify Tenant of such approval in writing, which written approval shall include, without limitation: (i) the maximum amount of Improvement Funds that Landlord is willing to disburse in connection with the applicable Proposed Capital Improvement Project, which shall be based on the approved budget for such Proposed Capital Improvement Project (the "**Project Cap**"), (ii) the reasonable outside date: (A) by which the Proposed Capital Improvement Project must be complete and (B) after which Landlord shall no longer be obligated to disburse Improvement Funds in connection with such Proposed Capital Improvement Project (which shall be no less than one year following the outside date by which the Proposed Capital Improvement Project must be completed). Following delivery of such approval letter, such Proposed Capital Improvement Project shall become an "**Approved Capital Improvement Project**", subject in all events to the terms and conditions of Section 3 and the written approval letter. Tenant shall be required to comply with, and its contractors and subcontractors shall be required to comply with, any commercially reasonable insurance requirements imposed by Landlord in connection with any Approved Capital Improvement Project.

(c) Tenant shall have the right to request disbursement of the Improvement Funds for an Approved Capital Improvement Project not more than once per calendar month. All such requests shall be in writing and in the form of the request for advance contained in Schedule 1 attached hereto ("**Request for Advance**") and shall be accompanied with (i) the following supporting documentation: (A) an itemized account of expenditures to be paid or reimbursed from the requested disbursement, certified by Tenant to be true and correct

expenditures which have already been paid or are due and owing and for which no previous disbursement was made hereunder, and (B) copies of invoices or purchase orders from each payee with an identifying reference to the applicable vendor or supplier, which invoices or purchase orders shall support the full amount of costs contained in the requested disbursement; and (ii) mechanic's lien waivers (conditional and unconditional, as applicable), in form and substance reasonably satisfactory to Landlord, in connection with any repairs, renovations or improvements in excess of [REDACTED] for which a mechanic's lien may be filed. Landlord shall have the right to make payment directly to any or all applicable vendors or suppliers if so desired by Landlord. No failure by Landlord to insist on Tenant's strict compliance with the provisions of this Section 3 with respect to any request for advance or disbursement of the Improvement Funds shall constitute a waiver or modification of such provisions with respect to any future or other request for advance or disbursement.

(d) Landlord shall, within twenty (20) calendar days of Tenant's delivery of a Request for Advance and compliance with the conditions for disbursement set forth in this Section 3, make disbursements of the requested Improvement Funds to pay or reimburse Tenant for the approved, budgeted costs of the applicable Approved Capital Improvements Project.

(e) No default (beyond any applicable notice and cure period provided for in the Lease) or event which, with the giving of notice or the passage of time, or both, would constitute such a default, including, without limitation, the recordation of any mechanic's or other lien against the Premises (or any portion thereof) in connection with the capital repairs or improvements to be funded by the Improvement Funds, shall have occurred and be continuing at the time of any request for disbursement (or the date of disbursement) of Improvement Funds.

(f) All repairs or improvements funded with the Improvement Funds shall be completed in a good, workmanlike and lien-free manner pursuant to the approved plans and specifications and other Project Information approved by Landlord in connection with the applicable Approved Capital Improvement Project (and in accordance with the project approval letter issued by Landlord in connection with such Approved Capital Improvement Project), subject to change orders made in the ordinary course of a project of the size and scope of the applicable Approved Capital Improvement Project and reasonably approved by Landlord [REDACTED]. If any of such repairs or improvements are completed in a manner not in compliance with this Section 3 and the other applicable provisions of the Lease, Tenant shall, promptly after obtaining knowledge thereof or Landlord's demand therefor, repair or remediate the applicable work to the extent necessary to attain such compliance at its sole cost and expense.

(g) Tenant shall comply with the provisions of Article 10 of the Lease in connection with all repairs or improvements funded with the Improvement Funds; provided, however, in the event of any inconsistency between Article 10 and this Section 3, this Section 3 shall govern and control.

(h) Each and every renovation or improvement funded by Landlord under this Section 3 shall immediately become a part of the Premises and shall belong to Landlord subject to the terms and conditions of the Lease.

(i) No disbursement of the Improvement Funds shall be used to remedy any condition which constitutes a default by Tenant under the provisions of the Lease.

(j) From and after the date of disbursement of any Improvement Funds by Landlord, the annual amount of Monthly Rent then payable under the Lease shall be increased by the product of: [REDACTED]. Such increased Monthly Rent shall commence to be payable on the first day of the month immediately following disbursement of such Improvement Funds (together with any prorated portion of the Monthly Rent payable with respect to the month in which such Improvement Funds were advanced). Solely for purposes of determining the amount of Monthly Rent payable as of February 1, 2025, each increase in Monthly Rent pursuant to this Section 3 shall be deemed to have occurred on February 1, 2024 (and thus shall be included in "the Monthly Rent payable for the immediately preceding twelve (12) month period" used to determine the Monthly Rent payable as of February 1, 2025). Upon request of Landlord, Tenant shall execute such amendments to the Lease, side letters or other instruments to document the foregoing increase in Monthly Rent.

(k) Landlord's documented, reasonable and customary out-of-pocket costs relating to its review, processing, oversight, management and approval of all Proposed Capital Improvement Projects and Approved Capital Improvement Projects (including, without limitation, reasonable attorneys' fees), shall be reimbursed to Landlord as Improvement Funds. Such reimbursements to Landlord shall be added to the costs for the applicable Approved Capital Improvement Project and shall be applied against the Project Cap for such Approved Capital Improvement Project.

(l) In no event shall Landlord be obligated to disburse Improvement Funds in connection with any Approved Capital Improvement Project to the extent such disbursement would cause Landlord to have funded disbursements for such Approved Capital Improvement Project in excess of the applicable Project Cap. Notwithstanding: (i) any decision on the part of Landlord to cease funding Improvement Funds due to the existence of a default under the Lease, the failure of Tenant to satisfy a condition to funding disbursements of Improvement Funds, cost overruns for an Approved Capital Improvement Project, or the existence of any other circumstance pursuant to which Landlord is not obligated to disburse Improvement Funds pursuant to this Section 3, and (ii) Tenant having exceeded the Project Cap for an Approved Capital Improvement Project and, therefore, there not being sufficient Improvement Funds to finish and complete an Approved Capital Improvement Projects as required by this Section 3, Tenant shall remain responsible to complete each Approved Capital Improvement Project on the terms and conditions, and to the standards, required by this Section 3, the other applicable provisions of the Lease, and the written approval letter issued by Landlord in connection with such Approved Capital Improvement Project.

(m) Tenant hereby covenants and agrees that all amounts of Improvement Funds disbursed to Tenant shall be used solely to pay for the costs and expenses incurred in connection with the applicable Approved Capital Improvement Project and incurred in accordance with the approved project budget applicable thereto.

(n) As a condition to Landlord's payment of Tenant's final Request for Advance in connection with any Approved Capital Improvement Project (but without limitation of any other terms or conditions governing disbursements of Improvement Funds pursuant to this Section 3), Tenant must deliver to Landlord in connection with such Approved Capital Improvement Project (i) fully executed and complete final and unconditional releases of lien from each contractor, subcontractor, or other person or entity performing work, labor, and/or services in connection with the Approved Capital Improvement Project in an amount equal to or exceeding [REDACTED], (ii) if requested by Landlord, a title report or commitment for the applicable real property dated after completion of the Approved Capital Improvement Project, (iii) evidence reasonably acceptable to Landlord that the Approved Capital Improvement Project was completed in a good, workmanlike and lien-free manner, in compliance in all material respects with all laws, rules, regulations, codes and ordinances and all covenants, conditions and restrictions (or similar use, maintenance or ownership obligations) encumbering or binding upon the applicable real property and in accordance in all material respects with the Project Information, (iv) evidence reasonably acceptable to Landlord that Tenant has obtained all authorizations required by applicable law in connection with the completion and operation of the Approved Capital Improvement Project, (v) a bill of sale with respect to any personal property incorporated into the Approved Capital Improvement Project and purchased by Tenant in connection with its performance of the work in connection with such Approved Capital Improvement Project, and (vi) if a new or revised certificate of occupancy for any component of the Premises is required as a result of the Approved Capital Improvement Project, a copy of such certificate in compliance with all applicable laws, rules, regulations, codes and ordinances.

(o) Tenant's right to request disbursements of the Improvement Funds shall expire twelve (12) months from the Amendment Effective Date, and Landlord shall have the right to retain any portion of the Improvement Funds remaining on such date.

4. Landlord Notice Address. From and after the date hereof, Landlord's notice address under the Lease shall be as follows:

If to Landlord:

c/o CareTrust REIT, Inc.
[REDACTED]

[REDACTED]

With a copy to:

[REDACTED]

5. Reaffirmation of Lease. Tenant and Landlord each hereby acknowledges and reaffirms its obligations under the Lease, as amended hereby, and all other documents executed by Tenant in connection therewith.

6. Interpretation; Governing Law. This Amendment shall be construed as a whole and in accordance with its fair meaning. Headings are for convenience only and shall not be used in construing meaning. This Amendment shall be governed by and construed in accordance with the laws of the State of California.

7. Further Instruments. Each party will, whenever and as often as it shall be reasonably requested so to do by another party, cause to be executed, acknowledged or delivered, any and all such further instruments and documents as may be necessary or proper, in the reasonable opinion of the requesting party, in order to carry out the intent and purpose of this Amendment.

8. Counterparts. This Amendment may be executed and delivered (including by facsimile or Portable Document Format (pdf) transmission) in counterparts, all of which executed counterparts shall together constitute a single document. Signature pages may be detached from the counterparts and attached to a single copy of this document to physically form one document. Any such facsimile documents and signatures shall have the same force and effect as manually signed originals and shall be binding on the parties hereto.

9. Effect of Amendment. Except as specifically amended pursuant to the terms of this Amendment, the terms and conditions of the Lease shall remain unmodified and in full force and effect. In the event of any inconsistencies between the terms of this Amendment and any terms of the Lease, the terms of this Amendment shall govern and prevail.

10. Entire Agreement. This Amendment contains the entire agreement between the parties relating to the subject matters contained herein. Any oral representations or statements concerning the subject matters herein shall be of no force or effect.

[Signatures begin on next page]

IN WITNESS WHEREOF, this Amendment has been executed and delivered as of the date first set forth above.

LANDLORD:

160 NORTH PATTERSON AVENUE, LLC,
a California limited liability company

By: Casa Linda Retirement LLC,
a Nevada limited liability company,
its sole member

By: CTR Partnership, L.P.,
a Delaware limited partnership,
its sole member

By: CareTrust GP, LLC,
a Delaware limited liability company,
its general partner

By: CareTrust REIT, Inc.,
a Maryland corporation,
its sole member

By: _____

Name: James Callister
Title: Chief Investment Officer and Secretary

[Signatures continue on next page]

TENANT:

COVENANT CARE CALIFORNIA, LLC,
a California limited liability company

By: Dava A. Ashley
Name: Dava A. Ashley
Title: President

SCHEDULE 1

FORM OF REQUEST FOR ADVANCE

Request for Advance

CTR PARTNERSHIP, L.P.
905 Calle Amanecer, Suite 300
San Clemente, CA 92673
Attention: Lease Administration
Reference: Buena Vista Lease; Improvement Funds

To Whom It May Concern:

Reference is hereby made to that certain Third Amendment to Lease dated _____ (the “**Lease Amendment**”), by and between 160 North Patterson Avenue, LLC, a California limited liability company (“**Landlord**”), and Covenant Care California, LLC, a California limited liability company, f/k/a as Covenant Care California, Inc., a California corporation (“**Tenant**”). Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Lease Amendment.

1. Pursuant to Section 3 of the Lease Amendment, Tenant hereby submits this request for advance (“**Request for Advance**”) and requests that Landlord make an advance (an “**Advance**”) to Tenant of the Improvement Funds in an amount equal to \$_____ in connection with the Approved Capital Improvement Project generally described as _____.
2. Tenant requests that such Advance be made available on _____, 202_.
3. The aggregate amount of all outstanding Advances as of the date hereof and as of the date of the making of the requested Advance (after taking into account the amount of such Advance) does not exceed the Project Cap applicable to this Approved Capital Improvement Project pursuant to Section 3 of the Lease Amendment.
4. Attached hereto are true, correct, and complete copies of the items required pursuant to Section 3 of the Lease Amendment to be submitted by Tenant to Landlord in connection with the requested Advance.
5. Tenant hereby certifies to Landlord as of the date hereof and as of the date of making of the requested Advance (after taking into effect such Advance) that:
 - (A) No default (beyond any applicable notice and cure period provided for in the Lease) exists or will exist under the Lease and no default beyond any applicable cure period exists or will exist under any of the documents executed by Tenant in connection with the Lease.
 - (B) Tenant has complied in all material respects with all duties and obligations required to date to be carried out and performed by it pursuant to the terms of Section 3 of the Lease Amendment.
 - (C) All Advances previously disbursed have been used for the purposes set forth in Section 3 of the Lease Amendment and in the Request for Advance applicable to any such Advance.
 - (D) All outstanding claims for labor, materials, and/or services furnished prior to the period covered by this Request for Advance have been paid or will be paid from the proceeds of this Advance, except to the extent the same are being duly contested in accordance with the terms of the Lease.
 - (E) The Advance requested hereby will be used solely for the purpose of paying costs of the repairs and/or renovations as shown on the attached report and no portion of the Advance requested hereunder has been the basis for any prior Advance.

(F) There are no liens outstanding against the Premises (or any portion thereof) or its equipment other than liens, if any, which have been disclosed in writing to Landlord that are being duly contested in accordance with the terms of the Lease.

(G) All representations and warranties of Tenant contained in the Lease are true and correct in all material respects as of the date hereof.

The undersigned certifies that the statements made in this Request for Advance and any documents submitted herewith are true and correct.

TENANT:

COVENANT CARE CALIFORNIA, LLC,
a California limited liability company

By: _____

Name: _____

Title: _____